

Message Text

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SUBJC ROBIN INTERNATIONAL NEGOTIATING OIL PURCHASE ARRANGEMENT

REF: MOSCOW 15679

BEGIN SUMMARY: ROBIN INTERNATIONAL, INC. IS PRESENTLY NEGOTIATING WITH SOYUZNEFTEEKSPORT FOR THE POSSIBLE PURCHASE OF 10 MILLION TONS OF CRUDE OIL ANNUALLY OVER THE NEXT FOUR YEARS. NEGOTIATIONS ARE CENTERING ON PRICE BUT MANY ELEMENTS OF THE POSSIBLE DEAL ARE UNCLEAR. END SUMMARY.

1. IN SEPARATE CONVERSATIONS ON NOVEMBER 1 WITH CHARGE, ECONOMIC COUNSELOR, AND EMBOFF, PROFESSOR S. FRED SINGER OF THE UNIVERSITY OF VIRGINIA, WHO IS ACTING AS A TECHNICAL ADVISOR TO THE PRESIDENT OF ROBIN INTERNATIONAL, NICOLAS REISINI, INFORMED US THAT V. MERKULOV, PRESIDENT OF SOYUZNEFTEEKSPORT, HAD INVITED REISINI TO MOSCOW FOR TALKS ON THE SALE OF 10 MILLION TONS OF OIL, APPARENTLY ALL CRUDE, ANNUALLY OVER THE NEXT FOUR YEARS TO THE U.S. ACCORDING TO SINGER, THE OIL IS GENERALLY INFERIOR IN QUALITY TO MID-EAST CRUDE AND IS NOT WELL SUITED TO U.S. USE. REISINI, HOWEVER, IS INTERESTED IF THE PRICE IS "RIGHT." PRICE, ACCORDING TO SINGER, IS

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THE PRINCIPAL ISSUE AND HE TOLD THE CHARGE THAT THE TERMS BEING

DISCUSSED INCLUDED A "DISCOUNT" FROM OPEC PRICES. THE SHIPPING TERMS WOULD BE CIF FROM THE USSR WITH ALL ARRANGEMENTS MADE BY THE SOVIETS.

2. ACCORDING TO SINGER, SEVERAL U.S. OIL COMPANIES HAVE TALKED TO MERKULOV THIS YEAR AND HE FEELS THIS OFFER MAY HAVE BEEN MADE TO SOME OF THEM. THUS HE IS UNSURE WHY THE SOVIETS HAVE APPROACHED ROBIN, WHICH IS NOT HEAVILY INVOLVED IN OIL TRANSACTIONS. HE IS ALSO UNCERTAIN WHY THE SOVIETS NOW SEEM TO WANT TO SELL TO THE U.S. MARKET, GIVEN TRANSPORT COSTS, WHEN MARKETS IN WEST EUROPE WOULD, ACCORDING TO HIM, BE AVAILABLE. WHEN SINGER PUT THIS QUESTION TO A SENIOR MEMBER OF THE SOVIET NEGOTIATING TEAM, HE WAS TOLD THAT A POLICY DECISION HAD BEEN MADE TO SELL THE PARTICULAR QUANTITY TO THE U.S. OVER THE NEXT FOUR YEARS. ANOTHER OFFICIAL, HOWEVER, SAID THAT THE OIL WILL BE SOLD TO THE HIGHEST BIDDER.

3. COMMENT: THE INFORMATION PROVIDED BY SINGER WAS INCOMPLETE AND LEAVES MANY QUESTIONS UNANSWERED. IT IS POSSIBLE THAT AS PART OF THE US-USSR OIL NEGOTIATIONS THIS YEAR, A DECISION WAS MADE TO ALLOCATE 10 MILLION TONS OF OIL ANNUALLY IN 1976-80 TO THE U.S. MARKET AND THAT WITH THE FAILURE TO REACH AN AGREEMENT, THE SOVIETS ARE NOW LOOKING FOR A PURCHASER. WHY THEY WOULD NOW TURN TO THE U.S. MRKET AND USE A FIRM SUCH AS ROBIN IS NOT CLEAR, ESPECIALLY WHEN THE SOVIETS HAVE TOLD SOME MAJOR U.S. OIL COMPANIES THAT A TIGHT EXPORT SUPPLY SITUATION FOR 1976-77 IS LIKELY (REFTEL.) THERE ALSO REMAIN SHIPPING PROBLEMS. WHEN ADVISED BY EMBOFFS THAT THE PROVISIONS OF THE US-USSR MARITIME AGREEMENT WOULD HAVE DIRECT IMPACT ON THE SHIPPING TERMS OUTLINED, SINGER'S RESPONSE WAS THAT IT WOULD BE UP TO THE SOVIET GOVERNMENT TO SATISFY THE USG ON THIS MATTER.

4. SINGER DID IMPLY THAT AN AGREEMENT ON PRICE WAS UNLIKELY TO BE REACHED SOON. SINCE THE SOVIETS APPARENTLY KEY PRICE OF OIL FOR SALE TO HARD CURRENCY AREA TO "WORLD MARKET PRICES", NO DEAL IS LIKELY TO BE CONCLUDED UNTIL THE UPCOMING OPEC PRICE DECISIONS ARE MADE.

5. SINGER SAID THAT REISINI HAD REQUESTED HIM TO INFORM LIMITED OFFICIAL USE

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THE EMBASSY THAT THE NEGOTIATIONS WERE PROCEEDING BUT THAT NO SPECIAL PROBLEMS WERE BEING ENCOUNTERED.
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